

**INDEPENDENCE BOWL FOUNDATION, INC.**

**(Audited Financial Statements and Related Notes)**

**SHREVEPORT, LOUISIANA**

**FEBRUARY 28, 2014 AND FEBRUARY 29, 2013**

**INDEPENDENCE BOWL FOUNDATION, INC.**

**SHREVEPORT, LOUISIANA**

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**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

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July 15, 2014

The Board of Directors  
Independence Bowl Foundation, Inc.  
Shreveport, Louisiana

## Independent Auditor's Report

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Independence Bowl Foundation, Inc., which comprise the statements of financial position as of February 28, 2014 and February 29, 2013, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Independence Bowl Foundation, Inc. as of February 28, 2014 and February 29, 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2014 on our consideration of the Independence Bowl Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Independence Bowl Foundation, Inc.'s internal control over financial reporting and compliance.

Shreveport, Louisiana

Heard, McElroy, Vestal, LLC

INDEPENDENCE BOWL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

FEBRUARY 28, 2014 FEBRUARY 29, 2013

<u>A S S E T S</u>	<u>2014</u>	<u>2013</u>
<b><u>Current assets:</u></b>		
Cash and cash equivalents	1,277,884	926,670
Certificates of deposit	45,486	45,365
Accounts receivable	389,057	437,846
Prepaid expenses	<u>15,602</u>	<u>18,667</u>
Total current assets	1,728,029	1,428,548
<b><u>Fixed assets:</u></b>		
Leasehold improvements / renovations	-	-
Less-accumulated depreciation and amortization	<u>-</u>	<u>-</u>
Net fixed assets	-	-
Deposits	<u>7,015</u>	<u>7,015</u>
Total assets	<u><u>1,735,044</u></u>	<u><u>1,435,563</u></u>
 <u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
<b><u>Current liabilities:</u></b>		
Due to participating teams	1,407,458	558,236
Accounts payable	105,862	-
Accrued interest payable	4,914	4,041
Payroll withholding payable	-	1,071
Current portion of long-term debt	<u>125,000</u>	<u>125,000</u>
Total current liabilities	1,643,234	688,348
<b><u>Long-term liabilities:</u></b>		
Notes payable, less current portion	<u>19,410</u>	<u>144,410</u>
Total long-term liabilities	<u>19,410</u>	<u>144,410</u>
Total liabilities	1,662,644	832,758
<b><u>Unrestricted net assets:</u></b>		
Undesignated	<u>72,400</u>	<u>602,805</u>
Total unrestricted net assets	<u>72,400</u>	<u>602,805</u>
Total liabilities and unrestricted net assets	<u><u>1,735,044</u></u>	<u><u>1,435,563</u></u>

INDEPENDENCE BOWL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED

FEBRUARY 28, 2014 AND FEBRUARY 29, 2013

	<u>2014</u>	<u>2013</u>
<b><u>Revenue:</u></b>		
<u>Independence Bowl:</u>		
Ticket sales	1,640,791	1,919,280
Title sponsorship	859,000	800,000
Other income-title sponsor	-	100,000
Advertising and programs	22,574	28,706
Grants from state and local governments	500,616	500,616
Television and radio revenues	234,124	249,554
Scoreboard advertising	49,666	71,633
Other revenues	<u>214,335</u>	<u>231,908</u>
Total revenue from Independence Bowl	3,521,106	3,901,697
<u>Other:</u>		
Memberships	38,575	33,375
Interest income	<u>121</u>	<u>171</u>
Total other revenue	<u>38,696</u>	<u>33,546</u>
 Total revenue	 3,559,802	 3,935,243
 <b><u>Expenses:</u></b>		
<u>Program Services:</u>		
<u>Independence Bowl:</u>		
Distributions to participating teams	2,400,000	1,700,000
Cancellation fee-Mountain West Conference	-	200,000
Advertising and promotion	222,005	106,370
Bowl related events	171,159	145,584
Trophies, awards and souvenirs	147,479	131,481
Game day expenses	181,643	158,019
Scoreboard expenses:		
Interest expense	-	-
Other scoreboard related expenses	24,615	34,355
Other expenses	<u>155,711</u>	<u>129,751</u>
Total program services	3,302,612	2,605,560
 <u>Supporting Services:</u>		
Management and general	748,107	624,925
Fundraising	27,576	22,972
Bad debt expense	-	-
Interest expense	<u>11,912</u>	<u>23,696</u>
Total supporting services	787,595	671,593
 Total expenses	 4,090,207	 3,277,153

INDEPENDENCE BOWL FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED  
FEBRUARY 28, 2014 AND FEBRUARY 29, 2013

	<u>2014</u>	<u>2013</u>
<u>Change in unrestricted net assets</u>	<u>(530,405)</u>	<u>658,090</u>
<u>Unrestricted net assets-beginning of year</u>	<u>602,805</u>	<u>(55,285)</u>
<u>Unrestricted net assets-end of year</u>	<u>72,400</u>	<u>602,805</u>



INDEPENDENCE BOWL FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED  
FEBRUARY 28, 2014 AND FEBRUARY 29, 2013

	<u>2014</u>	<u>2013</u>
<b><u>Cash flows from operating activities:</u></b>		
Change in net assets	(530,405)	658,090
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	-	-
<i>(Increase) decrease in assets:</i>		
Accounts receivable	48,789	21,762
Prepaid expenses	3,065	(149)
<i>Increase (decrease) in liabilities:</i>		
Due to participating teams	849,222	(618,350)
Accounts payable	105,862	(8,816)
Accrued expenses	(198)	124
Prepaid corporate sponsorships	-	(9,605)
Total adjustments	<u>1,006,740</u>	<u>(615,034)</u>
Net cash provided by operating activities	476,335	43,056
<b><u>Cash flows from investing activities:</u></b>		
Reinvestment of interest on certificates of deposit	<u>(121)</u>	<u>(171)</u>
Net cash (used) by investing activities	(121)	(171)
<b><u>Cash flows from financing activities:</u></b>		
Payment of principal on long-term debt	<u>(125,000)</u>	<u>(125,000)</u>
Net cash (used) by financing activities	<u>(125,000)</u>	<u>(125,000)</u>
<b><u>Net increase (decrease) in cash and cash equivalents</u></b>	351,214	(82,115)
<b><u>Cash and cash equivalents-beginning of year</u></b>	<u>926,670</u>	<u>1,008,785</u>
<b><u>Cash and cash equivalents-end of year</u></b>	<u><u>1,277,884</u></u>	<u><u>926,670</u></u>
<b><u>Supplementary cash flow information:</u></b>		
Cash paid during the year for interest	<u><u>11,039</u></u>	<u><u>23,665</u></u>

INDEPENDENCE BOWL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 2014 AND FEBRUARY 29, 2013

**1. Organization and Nature of Activities**

The Independence Bowl Foundation, Inc. (the "Foundation") is a tax-exempt non-profit organization established for the purpose of advertising and promoting amateur sports and sports related events in the Shreveport-Bossier City, Louisiana area. The Foundation consists of a full time staff and numerous volunteer committee members that carry out all of the activities related to the Foundation's function. The Foundation is also the sponsoring organization for the Independence Bowl post season football game, which is promoted and served through the Foundation's staff and volunteer membership. The Independence Bowl Foundation, Inc. is organized as a nonprofit organization exempt from federal income taxation under Code Section 501(c)(3) of the Internal Revenue Code.

**2. Summary of Significant Accounting Policies**

***General***

The summary of significant accounting policies of the Independence Bowl Foundation, Inc. is presented to assist in the understanding of the Foundation's financial statements. The financial statements and notes thereto are the representation of the Foundation's management, which is responsible for their integrity and objectivity. The financial statements of the Foundation are prepared on the accrual basis of accounting. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, cash equivalents are liquid assets with a maturity of three (3) months or less when purchased. Cash and cash equivalents include cash in banks. At various times during the years, the Foundation had cash in banks in excess of federally insured limits of \$250,000, and does not believe it is exposed to any significant credit risk as a result of this practice.

***Accounts Receivable***

Accounts receivable are carried at the original invoice amount, less management's estimate of doubtful accounts based on a monthly board review of all outstanding receivable amounts. Management's calculation of the allowance for doubtful accounts is determined by evaluating individual customer receivables and by considering the customer's current financial condition, credit history, ability to repay, and surrounding economic conditions. Accounts receivable are written off against the allowance for doubtful accounts when deemed uncollectible by management. See Note 4 for further discussion of accounts receivable.

***Fixed Assets***

Fixed assets are stated at cost less accumulated depreciation. Depreciation for reporting purposes is calculated on the straight-line method, over the estimated useful lives of the assets. Expenditures for major renewals or betterments which extend the useful lives of fixed assets are capitalized. Expenditures for maintenance and repair costs are charged to expenses as incurred. Amortization of leasehold improvements is computed using a straight-line method over the remaining life of the lease.

## 2. Summary of Significant Accounting Policies (Continued)

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### *Concentrations of Credit Risk*

A portion of the Foundation's ticket sales and other business activity involves members located in the Shreveport and Bossier City, Louisiana area. The economy of this area is diversified but depends heavily on industries such as oil and gas, agriculture, medical and professional services. Although these particular areas of the economy and the Shreveport and Bossier City, Louisiana economy in general are doing relatively well at the present time, there exists a possibility for decline in the future.

### *Financial Statement Presentation*

The Foundation adopted **Financial Accounting Standards Board (FASB ASC #958), "Not-for-Profit Organizations."** Under FASB ASC #958, the Foundation is required to report information regarding its financial position and activities based on donor imposed restrictions and in accordance with three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this statement, the Foundation does not currently use fund accounting and has, accordingly, reclassified its financial statements to present the classes of net assets required.

### *Reclassifications*

Certain reclassifications have been made to the 2014 financial statements to conform to the 2013 financial statement presentation.

### *Donated Goods, Services and Facilities*

In accordance with FASB ASC #958, organizations are required to recognize as revenue and related expense, any goods, services or facilities usage received, if the organization would typically need to purchase the services. No amounts have been reflected in the financial statements of the Foundation for donated goods, services or facilities because there was either no objective basis available to measure their value or the value given was considered immaterial to the financial statements taken as a whole.

### *Advertising*

Advertising costs are expensed as incurred and are included in program expenses on the statement of activities. Advertising expense amounted to \$222,005 and \$106,370, for the years ended February 28, 2014 and February 29, 2013.

### *Income Taxes*

The Foundation is a nonprofit organization and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it is a tax exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax.

2. **Summary of Significant Accounting Policies** (Continued)

The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

3. **Certificates of Deposit**

Certificates of deposit at February 28, 2014 and February 29, 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Regions Bank	22,749	22,726
JP Morgan Chase Bank	11,106	11,095
Community Trust Bank	<u>11,631</u>	<u>11,544</u>
Total Certificates of Deposit	<u>45,486</u>	<u>45,365</u>

4. **Accounts Receivable**

Accounts receivable at February 28, 2014 and February 29, 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Corporate sponsors/advertisers	1,624,057	1,672,846
Accrued interest of certificates	-	-
Total receivables	<u>1,624,057</u>	<u>1,672,846</u>
Less: allowance for doubtful accounts	<u>(1,235,000)</u>	<u>(1,235,000)</u>
Accounts receivable, net	<u>389,057</u>	<u>437,846</u>

The allowance for doubtful accounts represents the amount due from a former title sponsor, PetroSun, Inc. The Foundation filed suit against PetroSun, Inc. for collection of the amounts owed and has received and agreed to a settlement judgment regarding the same. The Foundation has agreed to a settlement amount of \$625,000, payable in monthly installments of \$20,000 including interest at 6.00% per annum. If PetroSun, Inc. were to default on these payments, the original balance is reinstated. Due to the uncertainty of the collection, income will be recorded as payments are received. As of the date of these financial statements, no payments per the agreement had been received from PetroSun, Inc.

5. **Cooperative Endeavor Agreement**

As of December 2, 2012, the Foundation renewed its cooperative endeavor agreement with the City of Shreveport, Louisiana outlining the scope of services and responsibilities of each party. The main focus of this agreement is the production of the Independence Bowl, along with any activities and events associated with the game. The term of this agreement is from inception and will terminate as of December 31, 2014. The agreement provides the Foundation will be paid the sum of \$140,000 per year for the activities described above, and receives use of public facilities of the City of Shreveport, (including Independence Stadium) at no charge. As the fair market value of the contribution from the City of Shreveport cannot be determined, no income and related expense associated with this cooperative endeavor agreement is recorded in the records of the Foundation. In the event the Foundation fails to produce a game in any year of the contract, the funds will be returned to the City of Shreveport. The Foundation is allowed under the agreement to improve the stadium's facilities, and subsequent to the repayment of all debt associated with the renovations, the improvements become the property of the City of Shreveport.

6. **Income Taxes**

The Foundation is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3); however, the Foundation is liable for federal income taxes on net income derived from business activities unrelated to its tax-exempt status. Under **FASB ASC #740**, "*Accounting for Uncertainty in Income Taxes*," the Foundation has not adopted any uncertain tax positions with respect to those amounts reported in its 2014 and 2013 financial statements. The Foundation is no longer subject to income tax examinations by tax authorities for years before 2010.

7. **Participating Team Distribution Agreements**

For the year ended February 28, 2014, the Foundation's agreement with the Atlantic Coast Conference (ACC) and the Southeastern Conference (SEC) whereby the Foundation has agreed to pay the participant team from the ACC \$1,400,000 and the participant team from the SEC \$1,000,000. As part of the agreement, the participating university from the ACC was required to purchase a minimum of 10,000 tickets and the participating university from the SEC was required to purchase a minimum of 10,000 tickets to the game. Also, the Foundation was able to deduct from the fair market value of the ticket requirements from the gross distribution to the participating universities, even if the tickets were unsold.

For the 2013 Independence Bowl game, and as a result of the SEC not having enough qualifying teams (a minimum 6-6 record) to fill the Independence Bowl's 2013 game, the Foundation replaced the SEC team with a team from the Pacific 12 Conference (PAC 12) to play the participating team from the ACC. The University of Arizona of the PAC 12 was secured as the replacement for the SEC team, as the opponent of the ACC team, Boston College. The University of Arizona and the PAC 12 Conference agreed to the same terms and conditions of the agreement between the Bowl and the SEC, which was a payment of \$1,000,000 to the PAC 12 Conference and the requirement to purchase 10,000 tickets to the game.

For the year ended February 28, 2013, the Foundation's agreement with the Atlantic Coast Conference (ACC) and the Southeastern Conference (SEC) contained the same terms, conditions and requirement of both parties as described above.

For the 2012 Independence Bowl game, the Foundation agreed to the participation of a team from the Mid-American Conference instead of the Atlantic Coast Conference, and a team from the Sun Belt Conference instead of the Southeastern Conference due to an exchange of team's agreement between the respective conferences, or a lack of eligible participants from the same. Also, for the 2012 Independence Bowl game the "Calculated Gross Team Payout" to the Mid-American Conference and the Sun Belt Conference was reduced by \$600,000 and \$100,000, respectively.

The following is a recap of the distributions and payables to the participating teams:

**2012 Independence Bowl:**

	<u>Ohio</u>	<u>UL-Monroe</u>	<u>Totals</u>
Calculated gross team payout	800,000	900,000	1,700,000
Less: Value of game tickets allocated to and retained by participating institutions and other items	<u>(500,932)</u>	<u>(640,832)</u>	<u>(1,141,764)</u>
Balance due-participating teams	<u>299,068</u>	<u>259,168</u>	<u>558,236</u>

7. **Participating Team Distribution Agreements (Continued)**

**2013 Independence Bowl:**

	<u>Boston College</u>	<u>Arizona</u>	<u>Totals</u>
Calculated gross team payout	1,400,000	1,000,000	2,400,000
Less: Value of game tickets allocated to and retained by participating institutions and other items	<u>(460,432)</u>	<u>(532,110)</u>	<u>(992,542)</u>
Balance due-participating teams	<u>939,568</u>	<u>467,890</u>	<u>1,407,458</u>

As of February 28, 2014 the minimum payout distribution obligations (by contract) to the participating teams are as follows:

2014	2,400,000
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8. **Related Party Transactions**

Members of the Foundation are involved through ownership/association with companies supplying goods and services to the Foundation. In such instances where these related parties conduct business with the Foundation, due care is taken to assure that the goods and/or services are bid for or purchased from these related parties at normal competitive prices/rates. The amounts of such transactions are considered immaterial to the financial statements taken as a whole.

9. **Long-Term Debt**

Long-term debt consists of the following at February 28, 2014 and February 29, 2013:

	<u>2014</u>	<u>2013</u>
Term note payable to AdvoCare International, LP, dated September 30, 2010 with initial principal due of \$494,410, bearing interest at a fixed rate of 6.00% per annum, due in annual installments of \$50,000 at December 31, 2010 and 2012, and annual installments of \$125,000 at December 31, 2013-2014, the final payment of the entire unpaid principal balance and accrued interest, collateralized accounts receivable, and all other corporate assets.	<u>144,410</u>	<u>269,410</u>
	144,410	269,410
<u>Less-current maturities</u>	<u>(125,000)</u>	<u>(125,000)</u>
Total long-term debt	<u>19,410</u>	<u>144,410</u>

Future minimum principal payments due on the renewed long-term debt are as follows:

2015	125,000
2016	19,410
2017	-
2018	-
2019 and thereafter	-
	<u>144,410</u>

**10. Retirement Plan**

The Foundation adopted a “*Savings Incentive Match Plan for Employees of Small Employers*” (SIMPLE IRA) retirement plan on April 15, 2001 (effective April 15, 2001) covering all full time employees. Employees may elect to contribute to the plan through salary deferrals up to the maximum of \$10,000 per year or the amount as allowed by law. Hardship withdrawals and loans to participants are not allowed under the current Plan provisions. The Foundation elects to contribute to the plan a matching contribution equal to the employees’ salary reduction contributions up to a limit of 3% of the employees’ total compensation for the year. The Foundation made employer contributions of \$8,636 and \$9,421 in 2014 and 2013, respectively.

**11. Title Sponsorship**

On May 8, 2009, the Foundation entered into an “*Entitlement Sponsorship Agreement*” with AdvoCare International, LP (“AdvoCare”) whereby AdvoCare obtained the title sponsorship rights to the Independence Bowl, and the Foundation received certain financial commitments as more fully described in the agreement. The agreement terms include the 2009 – 2013 presentations of the Independence Bowl, and are deemed to commence on the date of the agreement and expire as of January 1, 2014. The agreement included an extension clause, whereby AdvoCare extended the agreement on the same terms and conditions for the 2014 bowl game by proper written notice to the Foundation. As of the date of these financial statements, the Foundation had procured a new title sponsor, refer to the new “*Entitlement Sponsorship Agreement*” for further details.

**12. Disclosures about Fair Value of Assets and Liabilities**

Effective January 1, 2008, the Foundation adopted **FASB ASC 820**, “*Fair Value Measurements and Disclosures*.” **FASB ASC 820** defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Fair value measurements are used to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with **FASB ASC 820**, “*Fair Value Measurement and Disclosures*,” the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of

multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

*Fair Value Hierarchy.* In accordance with this guidance, financial assets and financial liabilities, generally measured at fair value, are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

## 12. Disclosures about Fair Value of Assets and Liabilities (Continued)

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. Fair values are estimated by using pricing models, which are based on transactions of similar terms. Derivative instruments are classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the **FASB ASC 820** fair value hierarchy in which the fair value measurements fall at February 28, 2014 and February 29, 2013:

	2014 Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
Certificates of deposit	45,486	-	45,486	-

  

	2013 Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
Certificates of deposit	45,365	-	45,365	-

The following methods and assumption were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.



**12. Disclosures about Fair Value of Assets and Liabilities (Continued)**

***Cash, Accounts Receivable, Prepaid Expenses, Accounts Payable, Accrued Expenses***

The carrying amount approximates fair value.

***Due to Participating Teams***

The carrying amount approximates fair value due primarily to their short-term nature.

The estimated fair values of the Company's financial instruments as of February 28, 2014 and February 29, 2013 were as follows:

	2014		2013	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial assets:</u>				
Cash	1,277,884	1,277,884	926,670	926,670
Certificates of deposit	45,486	45,486	45,365	45,365
Accounts receivable	389,057	389,057	437,846	437,846
Prepaid expenses	15,602	15,602	18,667	18,667
<u>Financial liabilities:</u>				
Accounts payable	105,862	105,862	-	-
Accrued expenses	4,914	4,914	5,112	5,112
Due to participating teams	1,407,458	1,407,458	558,236	558,236
Notes payable	144,410	144,410	269,410	269,410

**13. Operating Lease Commitments**

The Foundation has entered into the third (3<sup>rd</sup>) amendment (dated June 1, 2012) to its original lease agreement (dated May 22, 2003) for the lease of its office space located in Shreveport, Louisiana. The lease term is extended for three (3) years beginning June 1, 2012 and ending May 31, 2014. The lease agreement calls for a base rent for the term of the lease at \$2,130/month through June 30, 2012, at which time the lease rate increases to \$4,260/month until the termination date. Included in the lease rate are seven (7) parking spaces in the building's parking garage. The Foundation maintains a one-time right to terminate the lease if it loses its title sponsor, television sponsor, or state funding; the landlord may terminate the lease with one hundred twenty (120) day notice to the Foundation. Total lease/rental expense was \$55,102 and \$53,142 for the years ended February 28, 2014 and February 29, 2013.

The following is a schedule of future minimum payments required under the lease agreement as of February 28, 2014:

2015	12,780
2016	-
2017	-
2018	-
2019 and thereafter	-
Present value of minimum lease payments	<u>12,780</u>

Effective March 31, 2014, the Foundation signed the fourth (4th) amendment to its original lease extending the lease term for six (6) years commencing June 1, 2014 and ending May 31, 2020. The minimum monthly lease payment will be \$4,758 for the initial three (3) years and will increase by 2.5% annually until the end of the lease term on May 31, 2020.

**14. Subsequent Events**

In accordance with **FASB Accounting Standards Codification Topic 855** "*Subsequent Events*," the Foundation evaluated events and transactions that occurred after the balance sheet date but before the financial statements were made available, for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through July 15, 2014, the date which the financial statements were available to be issued, and noted no subsequent events.

## **OTHER REPORTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525  
SHREVEPORT, LOUISIANA 71101  
318-429-1525 PHONE • 318-429-2070 FAX

July 15, 2014

To the Board of Directors  
Independence Bowl Foundation, Inc.  
Shreveport, Louisiana

**Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Independence Bowl Foundation, as of and for the year ended February 28, 2014, and the related notes to the financial statements, which collectively comprise the Independence Bowl Foundation's basic financial statements, and have issued our report thereon dated July 15, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Independence Bowl Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Independence Bowl Foundation's internal control. Accordingly, we do not express an opinion of the effectiveness of the Independence Bowl Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Independence Bowl Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

INDEPENDENCE BOWL FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED FEBRUARY 28, 2014

We have audited the financial statements of the Independence Bowl Foundation, Inc. as of and for the year ended February 28, 2014, and have issued our report thereon dated July 15, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of February 28, 2014 resulted in an unqualified opinion.

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Independence Bowl Foundation, Inc.
2. No material weaknesses relating to the audit of the basic financial statements are reported; and no management letter was issued.
3. No instance of noncompliance material to the basic financial statements of the Independence Bowl Foundation, Inc. was disclosed during the audit.
4. Independence Bowl Foundation, Inc. was not subject to a Federal Single Audit for the year ended February 28, 2014.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

No findings were reported for the **current** year.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS**

Not applicable

INDEPENDENCE BOWL FOUNDATION, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED FEBRUARY 28, 2014

There were no findings for the year ended February 29, 2013.